

STATE OF MONTANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2003

| CFDA # | Federal Program Name | Finding # | Prior Audit Finding | Questioned Costs | Corrective Action | Initial Year of Finding | Comments |
|---------------------------------|--|-----------|---|------------------|-------------------|-------------------------|---|
| VARIOUS FEDERAL AGENCIES | | | | | | | |
| Various | AMLR 15.252 Capitalization Grants for State Revolving Funds 66.458 Performance Partnership Grants 66.605 | 4-5 | Leave pool inadequacy | N/A | 1 | 98-99 | All DEQ leave pools have been eliminated. |
| Various | Food Stamps 10.551 State Adm Matching Grants for Food Stamps Temporary Assistance for Needy Families 10.561 Child Care & Development Block Grant 93.558 Foster Care – Title IV-E 93.658 Medical Assistance Program 93.575, 93.658, 93.778 | 13-10 | Inadequate procedures to prepare the Schedule of Expenditures of Federal Awards (SEFA) | N/A | 1 | 96-97 | |
| Various | Food Stamps, Child Support Enforcement, SSDI, among others 10.551, 10.557, 10.558, 10.561, 84.126, 93.560, 93.563, 93.568, 93.575, 93.667, 93.778, 96.001 | 13-11 | Noncompliance with CMIA | N/A | 1 | 96-97 | |
| Various | Food Stamps, Child Support Enforcement, SSDI, among others 10.551, 10.561, 10.557, 10.558, 10.567, 84.126, 93.044, 93.045, 93.558, 93.563, 93.568, 93.575, 93.596, 93.658, 93.667, 93.775, 93.777, 93.778, 93.959, 93.994, 96.001 | 2-1 | Noncompliance with CMIA | N/A | 1 | 98-99 | |
| Various | Aging Cluster, Child Support Enforcement, among others 84.126, 93.044, 93.045, 93.558, 93.959, 93.563, 93.667, 93.994 | 9-6 | Noncompliance of federal reporting and level of effort requirements | N/A | 1 | 98-99 | |

Category of Corrective Action Taken

1 Finding has been fully corrected. 2 Finding has not been corrected or is partially corrected. 3 Corrective action taken is significantly different than reported.

STATE OF MONTANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2003

| CFDA # | Federal Program Name | Finding # | Prior Audit Finding | Questioned Costs | Corrective Action | Initial Year of Finding | Comments |
|---------|---|-----------|---|------------------|-------------------|-------------------------|----------|
| Various | Rehab Services 84.126 Aging Cluster 93.004, 93.045 TANF 93.558 CSE –Title IV-E 93.563 Foster Care – Title IV-E 93.658 Medicaid Cluster 93.775 93.777 93.778 | 9-7 | Noncompliance with federal regulations for review and analysis of data processing and system security issues for systems. | N/A | 1 | 98-99 | |
| Various | Supplemental for WIC 10.557 Food Distribution on Indian Reservations TANF 10.567 Medicaid Cluster 93.558, 93.775, 93.777, 93.778 | 2-5 | Inability to ensure that all transactions are in accordance with GAAP | N/A | 1 | 98-99 | |
| Various | WIC 10.557 Nat. School Lunch 10.555 Rehabilitative Services 84.126 among others 93.468, 93.558,93.596,93.658, 96.667, 93.778 | 2-2 | CMIA cash balances | N/A | 1 | 00-01 | |
| Various | Food Stamp Cluster 10.551.10.561 Supplemental WIC 10.557 Nat. School Lunch 10.555 among others 84.126, 93.468, 93.558, 93.596, 93.658, 93.667, 93.778, 93.959 | 2-3 | CMIA clearance patterns | N/A | 1 | 00-01 | |
| Various | Rehabilitation Services- Voc Rehab. Grants to States 84.126 Temporary Assist. For Needy Families (TANF) 93.558 | 2-25 | Record retention requirements | N/A | 1 | 00-01 | |

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STATE OF MONTANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2003

| CFDA # | Federal Program Name | Finding # | Prior Audit Finding | Questioned Costs | Corrective Action | Initial Year of Finding | Comments |
|---------|--|-----------|--|------------------|-------------------|-------------------------|--|
| Various | Food Stamps, WIC, National School Lunch among others ,10.551, 10.561, 10.557,10.555, 10.567, 84.126, 93.044, 93.045, 93.558, 93.563, 93.568, 93.575, 93.596, 93.658, 93.667, 93.775, 93.777, 93.778, 93.959, 93.767, 96.001 | 2-47 | Inadequate internal control structure | N/A | 1 | 00-01 | |
| Various | Food Stamps, WIC, National School Lunch among others ,10.551, 10.561, 10.557,10.555, 10.567, 84.126, 93.044, 93.045, 93.558, 93.563, 93.568, 93.575, 93.596, 93.658, 93.667, 93.775, 93.777, 93.778, 93.959, 93.767, 96.001 | 2-48 | Reconciling data processing subsystems to the primary accounting system. | N/A | 2 | 00-01 | The DPHHS has continued to work on reconciliation activities between subsystems and SABHRS. |
| Various | U.S. EPA, Dept. of Interior, Dept. of Energy, various CFDA #s | 2-20 | Equitability of leave pools | \$202,180 | 1 | 00-01 | All DEQ leave pools have been eliminated. |
| Various | Labor Force Statistics, Compensation and Working Conditions amount others 17.002, 17.005, 17.203, 17.207, 17.225, 17.245, 17.246, 17.248, 17.249, 17.250, 17.253, 17.257, 17.600, 17.801,17.804,17.999, 30.002, 81.186, 93.561, 94.003, 94.004, 94.006, 94.009 | 2-12 | Maintaining excess reserves in the department's central service fund | \$202,185 | 1 | 00-01 | This finding is fully implemented. The fund balance has been held within the 60 day limit since January 2001. The department monitors the fund on a monthly basis. |

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STATE OF MONTANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2003

| CFDA # | Federal Program Name | Finding # | Prior Audit Finding | Questioned Costs | Corrective Action | Initial Year of Finding | Comments |
|---------|--|-----------|--|------------------|-------------------|-------------------------|---|
| Various | National School Lunch Program 10.555, Title I Grants to Local Educational Agencies 81.010, Special Education - Grants to States 84.027 Vocational Education - Basic Grants to States 84.078 | 2-45 | CMIA compliance | N/A | 1 | 00-01 | All 56 Montana counties now accept EFT payments from the Office of Public Instruction. |
| Various | Supplemental for WIC 10.557 TANF 93.558 CSE 93.563 Child Care Cluster 93.575 Foster Care IV-E 93.658 Social Services Block 93.667, 93.596 | 2-2 | Noncompliance with CMIA | N/A | 1 | 98-99 | |
| Various | Various Research and Development Cluster CFDA #s | 2-40 | Inappropriate person certify time and effort reporting | \$198,000 | 1 | 00-01 | The University of Montana Missoula updated policies and procedures. The university will also annually distribute memos to principal investigators reminding those employees of their responsibility in certifying time and effort and the procedures. |
| Various | Various Research and Development Cluster CFDA#s | 2-41 | Leave pool calculation | \$309,462 | 1 | 00-01 | New leave assessment completed by MT Tech and approved by US DHHS. |
| Various | U.S. DEPARTMENT OF AGRICULTURE Food Stamps 10.551 State Administrative Matching Grants 10.561 | 2-43 | Untimely federal fiscal reports | N/A | 1 | 00-01 | |
| 10.555 | National School Lunch Program | 2-54 | Untimely on-site reviews | N/A | 1 | 00-01 | |

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STATE OF MONTANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2003

| CFDA # | Federal Program Name | Finding # | Prior Audit Finding | Questioned Costs | Corrective Action | Initial Year of Finding | Comments |
|--|---|-----------|---|------------------|-------------------|-------------------------|---|
| 10.557 | Special Supplemental Nutrition Programs for Women, Infants, and Children (WIC) | 2-1 | Follow-up procedures on WIC vouchers on edit report. | N/A | 2 | 00-01 | Procedures have been implemented to ensue WIC personnel complete a weekly review of the daily void/reissue receipts. All documentation will include the follow-up and justification/clarification of noted inconsistencies. |
| DEPARTMENT OF DEFENSE | | | | | | | |
| 12.404 | National Guard Civilian Youth Opportunities | 2-4 | Improperly splitting purchases on state credit card to circumvent the \$5,000 limit | \$27,251 | 1 | 00-01 | |
| 12.404 | National Guard Civilian Youth Opportunities | 2-53 | WIA used as match for the Youth Challenge Program | \$329,074 | 1 | 00-01 | |
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | | | | |
| Various | Home Investment Partnership Program 14.239, Section 8 Housing Choice Vouchers 14.871, Section 8 Housing Choice Vouchers 14.855 & 14.857 | 2-5 | Not having adequate controls related to reviewing the allowablity of administrative costs | N/A | 2 | 00-01 | The Department of Commerce has adopted internal controls related to grantee use of program income and required documentation for administrative and planning costs. |
| 14.239 | Home Investment Partnership Program | 2-6 | Not ensuring that program income was properly spent by sub recipients | N/A | 2 | 00-01 | The Department of Commerce has adopted internal controls related to grantee use of program income and required documentation for administrative and planning costs. |
| U.S. DEPARTMENT OF INTERIOR | | | | | | | |
| Various | Sports Fish Restoration - Fish and Wildlife Cluster 15.605, Wildlife Restoration - Fish and Wildlife Cluster 15.611 | 2-10 | Not following proper CMIA clearance patterns | N/A | 1 | 00-01 | |
| 15.252 | Abandoned Mine Land Reclamation Program (AMLR) | 2-9 | Improperly charging costs to the AMLR program | N/A | 1 | 00-01 | |
| 15.904 | Historic Preservation Fund Grants-in-Aid | 2-7 | Noncompliance with OMB A-87 | \$14,136 | 1 | 00-01 | |

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STATE OF MONTANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2003

| CFDA # | Federal Program Name | Finding # | Prior Audit Finding | Questioned Costs | Corrective Action | Initial Year of Finding | Comments |
|---------------------------------|--|-----------|---|------------------|-------------------|-------------------------|--|
| 15.904 | Historic Preservation Fund Grants-in-Aid | 2-11 | Cash management of grant | \$35,799 | 1 | 00-01 | |
| U.S. DEPARTMENT OF LABOR | | | | | | | |
| 17.225 | Unemployment Insurance (UI) | 2-13 | Nonsubmission of quarterly report (ETA 581) | N/A | 1 | 00-01 | The POINTS issues that resulted in the untimely filing of ETA 581 reports have been resolved through programming changes. The Department of Labor has submitted all reports for the periods through the current date. Reports for the periods ending 6/30/02, 9/30/02, 12/31/02 were submitted on time. All current and future reports have been, and will be, submitted timely. |
| 17.207 | Employment Services | 2-14 | Improper disposition of real estate | \$81,001 | 1 | 00-01 | This finding is fully implemented. All real estate proceeds from the sale of properties at issue were used to make bond payments in accordance with the law. |
| 17.225 | Unemployment Insurance (UI) | 2-15 | UI accounts do not balance between state accounting records and bank statements | NA | 1 | 00-01 | This issue is fully resolved. A reconciliation of the benefit account is done each month, making the adjustments for manual checks, stale dated checks, stop pays and voided checks and working with US BANK to ensure that they are not duplicating information that has already processed and that the MICR coding is correct. |
| 17.225 | Unemployment Insurance (UI) | 2-16 | Improper expenditure accrual | \$548,688 | 1 | 00-01 | The Department of Revenue continues to follow state policy for expenditure accruals. |
| 17.225 | Unemployment Insurance (UI) | 2-17 | Untimely deposits of UI money into the Unemployment Trust | N/A | 1 | 00-01 | The Department of Revenue is exceeding the federal standard of timely deposits. |
| 17.225 | Unemployment Insurance (UI) | 2-46 | Computer system did not transfer experience rates related to UI | N/A | 1 | 00-01 | Experience factors for rating purposes are being transferred to successor employers, thereby ensuring rates are calculated properly. |

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STATE OF MONTANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2003

| CFDA # | Federal Program Name | Finding # | Prior Audit Finding | Questioned Costs | Corrective Action | Initial Year of Finding | Comments |
|--|---|-----------|--|------------------|-------------------|-------------------------|---|
| 17.253 | Welfare-to-Work Grants to States and Localities | 2-42 | Charges in excess of grant authorized | N/A | 1 | 00-01 | The FY99 three-year federal Welfare to Work grant award effective date ended August 29, 2002. Thus, the Department of Labor was entitled to make accounting corrects through August 29, 2002. Although accounting records reflected expenditures in excess of grant amounts at one time during the grant period, at no time did it draw funds in excess of the award amount. Additionally, the department moved excess expenditures to a state funding source by March 2002, resolving the issue. Final reports submitted to USDOL accurately reflect actual expenditures, which do not exceed the grant amount. Accounting staff now prepare monthly financial status reports to ensure excess expenditures are transferred to state funding sources in a timely |
| U.S. DEPARTMENT OF TRANSPORTATION | | | | | | | |
| 20.205 | Highway Planning & Construction 9-1 | | Inadequate sub recipient monitoring procedures | N/A | 2 | 96-97 | The Montana Department of Transportation (MDT) has informed staff responsible for federal programs of the requirement to modify contract language to comply with OMB Circular A-133. |
| 20.205 | Highway Planning & Construction 6-1 | | Inadequate sub recipient monitoring procedures | N/A | 2 | 98-99 | The Research Section of the MDT has implemented procedures to review the audit reports of the universities participating in the LTAP Program. Offices responsible for federal programs have been informed of the requirement for contract language to comply with OMB Circular A-133. The department develops a comprehensive list of funds subgranted to other agencies. This list is a supplement to the Schedule of Economic Assistance that is submitted annually. |
| 20.205 | Highway Planning and Construction | 2-18 | Inadequate sub recipient monitoring procedures | N/A | 2 | 00-01 | The MDT offices sub-granting federal monies were identified, and procedures to determine that the programs were in compliance with OMB Circular A-87 were developed in fiscal year 2002. These procedures were implemented during fiscal year 2002 and 2003. The procedures were not fully implemented in the Highway Traffic Safety program. |

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2003

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|---|--|-----------|---|------------------|-------------------|-------------------------|--|
| U.S. ENVIRONMENTAL PROTECTION AGENCY | | | | | | | |
| Various | Capitalization Grants for State Revolving Funds 66.458 Capitalization Grants for Drinking Water State Revolving Fund 66.468 | 2-49 | Fiscal control and accountability | N/A | 1 | 00-01 | |
| Various | Capitalization Grants for State Revolving Funds 66.458 Capitalization Grants for Drinking Water State Revolving Fund 66.468 | 2-50 | Inadequate segregation of duties | N/A | 1 | 00-01 | |
| Various | Capitalization Grants for State Revolving Funds 66.458 Capitalization Grants for Drinking Water State Revolving Fund 66.468 | 2-8 | DEQ did not submit any federal cash transactions reports | N/A | 2 | 00-01 | The Department of Environmental Quality (DEQ) made numerous requests of EPA for an exemption from Federal Cash Transaction reporting requirements based on P.L. 106-107 (Federal Financial Assistance Management Improvement Act) citing that the required information was provided through other reports already submitted and the automated cash draw system (ASAP). EPA did not respond to our requests, however, OMB has developed a Consolidated Federal Financial Report that combines and streamlines elements of both the Federal Cash Transaction Report (SF 272) and the Financial Status Report (SF 269) as part of its grants streamlining effort in response to P.L. 106-107. DEQ has reviewed, and is commenting on, the proposed report. Implementation of this report will not pose a problem for DEQ since it is cycled on the same basis as the current SF 269s that DEQ has kept current. |
| Various | Capitalization Grants for State Revolving Funds 66.458 Capitalization Grants for Drinking Water State Revolving Fund 66.468 | 2-19 | Not obtaining certification for suspension or debarment of federal assistance | N/A | 1 | 00-01 | |
| U.S. DEPARTMENT OF EDUCATION | | | | | | | |

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STATE OF MONTANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2003

| CFDA # | Federal Program Name | Finding # | Prior Audit Finding | Questioned Costs | Corrective Action | Initial Year of Finding | Comments |
|---|--|-----------|---|------------------|-------------------|-------------------------|---|
| 84.032 | Federal Family Education Loans | 9-4 | Insufficient review of lenders | N/A | 1 | 98-99 | The Guaranteed Student Loan Program (GSLP) has corrected the audit finding related to "Insufficient review of Lenders" |
| 84.032 | Federal Family Education Loans | 2-52 | Not performing a comprehensive review of certain lenders | N/A | 1 | 00-01 | The program review has been completed by GSLP. |
| 84.038 | Federal Perkins Loan Program - Federal Capital Contributions | 2-21 | Not reviewing report from third party in regards to loan collections in accordance with federal regulations | N/A | 1 | 00-01 | MSU Bozeman's Loan Service Center personnel have always reviewed the service auditors' report and will continue to do so. The financial aid office now reviews the report in addition to Loan Service Center personnel. |
| 84.126 | Rehabilitation Services- Vocational Rehabilitation Grants to States | 9-8 | Subsystem (AWACS) did not reconcile with the primary accounting system | N/A | 1 | 98-99 | |
| 84.243 | Tech-Prep Education | 2-51 | Not properly accounting for refunds | \$50,414 | 1 | 00-01 | New procedures are in place at the Office of the Commissioner of Higher Education. |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | | | |
| Various | Aging Cluster 93.044, 93.045 Foster Care Title IV-E 93.658 | 10-3 | Inability to ensure accurate funding sources are processed | N/A | 1 | 98-99 | |
| Various | Medicaid Cluster 93.775, 93.777 and 93.778 | 2-22 | Data and information technology controls for terminated | N/A | 1 | 00-01 | |
| Various | Aging Cluster 93.044, 93.045 Foster Care Title IV-E 93.658 Medicaid Cluster 93.775, 93.777, 93.778 | 10-15 | Reconciliation issues between subsystems (MMIS & CAPS) and the primary accounting system | N/A | 1 | 98-99 | |

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STATE OF MONTANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2003

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|---------|---|-----------|---|------------------|-------------------|-------------------------|----------|
| Various | Medicaid Cluster 93.775, 93.777 and 93.778 Foster Care - Title IV-E 93.658 Child Support Enforcement 93.563 | 2-27 | Risk analysis for automated data processing system | N/A | 1 | 00-01 | |
| Various | Medical Assit. Program 93.778 State Survey 93.777 TANF 93.558 Food Stamps 10.551 Child Care & Develop. 93.575 | 2-44 | Not utilizing internal control reports produced by TEAMS | N/A | 1 | 00-01 | |
| Various | Special Programs for the Aging - Title III, Part B 93.044 Special Programs for the Aging - Title III, Part C 93.045 | 2-36 | Non compliance with funding formula allocations to Area Agencies on Aging | N/A | 1 | 00-01 | |
| Various | U.S. Department of Health and Human Services Various CFDA#s | 2-28 | Not checking suspension and debarment status | N/A | 1 | 00-01 | |
| Various | Special Programs for the Aging - Title III, Part B 93.044 Special Programs for the Aging - Title III, Part C 93.045 | 2-35 | Not all residents of long-term care facilities having access to regular visits from a Certified Local Ombudsmen | N/A | 1 | 00-01 | |
| Various | Aging Cluster 93.044 93.045 Foster Care Title IV-E 93.658 | 10-2 | CAPS (a subsystem) does not report all service provider activity | N/A | 1 | 98-99 | |
| Various | 93.775, 93.777, 93.778 Medicaid Cluster | 2-23 | HCFA reporting of overpayments | N/A | 1 | 00-01 | |
| 93.558 | Temporary Assistance for Needy Families (TANF) | 2-30 | Not verifying participant income in the TANF program | N/A | 1 | 00-01 | |
| 93.560 | Family Support Payments to States – Assistance Payments | 3-1 | Incorrect assistance payments | \$8,614 | 1 | 96-97 | |

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|--------|---|-----------|---|------------------|-------------------|-------------------------|---|
| 93.560 | Family Support Payments to States – Assistance Payments | 13-9 | Unreconciled child support payment systems | N/A | 1 | 96-97 | |
| 93.563 | Child Support Enforcement | 2-26 | Invalid identification numbers | N/A | 1 | 00-01 | |
| 93.563 | Child Support Enforcement | 2-31 | Lack of medical support documentation | N/A | 1 | 00-01 | |
| 93.563 | Child Support Enforcement | 2-32 | Non interfacing between the two department computer systems | N/A | 2 | 00-01 | The DPHHS is working diligently to complete a review of all available financial data. Upon completion of the review an adjusting journal to bring the two systems into balance will be completed. A daily reconciliation procedure has been implemented to ensure future imbalances are detected and resolved timely. |
| 93.563 | Child Support Enforcement | 2-33 | Untimely child support distributions | N/A | 1 | 00-01 | |
| 93.658 | Foster Care – Title IV-E | 10-9 | Inadequate reconciliation procedures from CAPS to state accounting system | N/A | 1 | 96-97 | |
| 93.658 | Foster Care – Title IV-E | 13-6 | Ineffective procedures for accounting computer system reconciliation | N/A | 1 | 96-97 | |
| 93.658 | Foster Care Title IV-E | 10-14 | Inadequate policies and procedures to ensure timely reconciliations between trust accounts and accounting | N/A | 2 | 98-99 | The DPPHS is working diligently to complete timely reconciliations. |
| 93.658 | Foster Care Title IV-E | 10-2 | Inappropriate production & data access to CAPS system | N/A | 1 | 96-97 | |
| 93.658 | Foster Care Title IV-E | 10-4 | Inadequate procedures related to review & correct data entry process errors | N/A | 1 | 96-97 | |

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| 93.667 | Social Services Block Grant (SSBG) | 2-34 | Financial data reported to HHS not supported by the accounting records | N/A | 1 | 00-01 | |
| 93.775 | State Medicaid Fraud Control Units | 2-37 | Approval to spend program income | N/A | 1 | 00-01 | Upon receiving future program income, the Department of Justice (DOJ) will deposit the funds in an interest bearing account. This account has been established with the Board of Investments. DOJ is working with the Department of Administration to return the \$3,200 of lost interest earnings from the general fund to the federal fund. Federal approval has been received to spend the interest earnings. |
| 93.775 | State Medicaid Fraud Control Units | 2-38 | Inconsistent cash draws | N/A | 2 | 00-01 | Cash draws will be done on a monthly basis at a minimum and will be done in compliance with federal regulations. |
| 93.775 | State Medicaid Fraud Control Units | 2-39 | Inappropriate allocation of travel expenditures | <\$600 | 1 | 00-01 | The Department of Justice has revised travel cost allocation procedures to ensure compliance with the grant. The federal government has decreased the grant award for funding by \$381 for the travel cost violation. |
| 93.959 | Block Grants for Prevention and Treatment of Substance Abuse | 2-24 | Working capital advances | N/A | 1 | 00-01 | |
| 93.959 | Block Grants for Prevention and Treatment of Substance Abuse | 2-29 | No documentation related to grant expenditures by grant year | N/A | 1 | 00-01 | |

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